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STATE FOR EAP/CM, EEB/ISC, ISN/CPI FOR NEW AND INL; NSC FOR
WILDER AND TONG, TREASURY FOR GLASER AND GARABEDIAN

E.O. 12958: DECL: 06/18/2028
TAGS: [EFIN](#) [ECON](#) [PARM](#) [PTER](#) [KNNP](#) [HK](#) [UK](#) [CH](#)
SUBJECT: IRANIAN DECEPTIVE FINANCIAL PRACTICES - BANK
MELLI, PLC, HONG KONG

REF: SECSTATE 63929

Classified By: E/P Section Chief Laurent Charbonnet, Reason 1.4.b/d

¶1. (S) Economic Unit Chief delivered reftel talking points to Hong Trade and Industry Department (HKTID) Principal Trade Officer Billy Au and Hong Kong Monetary Authority (HKMA) Executive Director of Banking Supervision Arthur Yuen on June 17 and June 18. HKTID's Au was familiar with Hong Kong company Jetpower Industrial; the company is on the U.S. Department of Commerce Bureau of Industrial Security (BIS) unverified list and was previously prosecuted (1993) for trading in strategic components with Iran. Au promised to work closely with his counterparts in Hong Kong's Customs and Excise Department to scrutinize any shipments from Jetpower Industrial passing through Hong Kong to Iran.

¶2. (S) HKMA's Yuen noted that his office has been closely monitoring the activities of Melli Bank, PLC in Hong Kong for some time and had been communicating with the British Financial Services Authority (FSA) weekly about Melli Bank operations in Europe. The announcement June 17 that Europe would move to restrict Melli Bank's European transactions was not surprising, said Yuen. HKMA is currently considering its next steps, but will likely closely follow the lead of the British authorities, as Melli Bank Hong Kong is a branch of the British-incorporated bank.

¶3. (S) Yuen confirmed that HKMA has been conducting regular inspections of Melli Bank, PLC Hong Kong, officially at six-month intervals (the shortest period normally allowed under Hong Kong banking regulations); HKMA has actually been monitoring Melli Bank's activities even more closely, he claimed. HKMA officials have noticed a steady decline in bank assets over the past several months, as scrutiny of Melli's operations has intensified in Britain and Hong Kong. We cautioned Yuen to be aware of suspicious companies possibly moving to other Hong Kong financial institutions as Melli Bank's activities are restricted.

¶4. (S) HKMA will follow up on the information provided in the non-paper and relay any additional information to the U.S. Consulate in Hong Kong, said Yuen.
Cunningham